

**TOWN OF PANAMA, OKLAHOMA**  
**ANNUAL FINANCIAL STATEMENTS**  
**FOR THE FISCAL YEAR ENDED**  
**JUNE 30, 2013**

## **TOWN OF PANAMA, OKLAHOMA**

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**TOWN OF PANAMA, OKLAHOMA**

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**TOWN OF PANAMA, OKLAHOMA**

**LIST OF PRINCIPAL OFFICIALS**

**Board of Trustees**

Lloyd Hale	Mayor
Larry Didway	Vice Mayor
Charles Pierce	Member
Tim Crase	Member
Harlen Hale	Member

**Town Clerk & Treasurer**

El Doris Weaver

**Town Attorney**

Ronald H. Lawson

# KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE  
MUSKOGEE, OKLAHOMA 74401  
PHONE (918) 684-1040  
FAX (918) 684-1041

WEB: KERSHAWCPA.COM  
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1<sup>ST</sup> STREET  
PONCA CITY, OKLAHOMA 74601  
PHONE (580) 762-1040  
FAX (580) 762-1047

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Town of Panama, Oklahoma

### *Report on the Financial Statements*

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and aggregate remaining fund information of the Town of Panama, Oklahoma, as of and for the fiscal year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1. This includes determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditor's Responsibility*

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in

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order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used, and the reasonableness of significant accounting estimates made, by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Panama, Oklahoma, as of June 30, 2013, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

### *Other Matters*

#### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements as a whole that collectively comprise the Town of Panama's basic financial statements. The management's discussion and analysis, budgetary comparison schedules, introductory section and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The management's discussion and analysis, the budgetary comparison schedules, the introductory section, and the other supplementary information section listed in the accompanying table of contents have not been subjected to the auditing procedures applied in our audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on such information.

#### *Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated April 8, 2014, on our consideration of the Town of Panama's internal control over financial reporting and on our tests of

## KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE  
MUSKOGEE, OKLAHOMA 74401  
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E-MAIL: REK@KERSHAWCPA.COM

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PONCA CITY, OKLAHOMA 74601  
PHONE (580) 762-1040  
FAX (580) 762-1047

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its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in compliance with *Government Auditing Standards* in considering Town of Panama's internal control over financial reporting and compliance.

### *Basis of Accounting*

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

*Kershaw CPA & Associates, P.C.*  
Kershaw CPA & Associates, PC

April 8, 2014

## MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Our discussion and analysis of the Town of Panama's financial performance provides an overview of the Town's financial activities for the fiscal year ended June 30, 2013, within the limitations of the Town's modified cash basis of accounting. Please read it in conjunction with the Town's financial statements that begin on page 13.

### FINANCIAL HIGHLIGHTS

- The Town's total expenses exceeded total revenues, on the modified cash basis of accounting, by \$90,429 for the year, resulting in a decrease in total net position of 6.72 percent under the previous year.

### USING THIS ANNUAL REPORT

This annual report is presented in a format consistent with the presentation requirements of the Governmental Accounting Standards Board (GASB) Statement No. 34, as applicable to the Town's modified cash basis of accounting.

**Report Components** This annual report consists of five parts as follows:

**Government-Wide Financial Statements:** The Statement of Net Position and the Statement of Activities (*on page 15*) provide information about the activities of the Town government-wide (or "as a whole") and present a longer-term view of the Town's finances.

**Fund Financial Statements:** The fund financial statements (*starting on page 16*) focus on the individual parts of the Town government. Fund financial statements also report the Town's operations in more detail than the government-wide statements by providing information about the Town's most significant ("major") funds. For *governmental activities*, these statements tell how these services were financed in the short term as well as what remains for future spending. For *proprietary activities*, these statements offer short-term and long-term financial information about the activities the Town operates like businesses, such as water, sewer and sanitation services.

**Notes to the Financial Statements:** The notes to the financial statements are an integral part of the government-wide and fund financial statements and provide expanded explanation and detail regarding the information reported in the statements.



TOWN OF PANAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PAGE 2 (Unaudited)

**Supplementary Information:** This Management's Discussion and Analysis and the Governmental Funds Budgetary Comparison Schedules (*starting on page 41*) represent financial information to provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**Basis of Accounting**

The Town has elected to present its financial statements on a modified cash basis of accounting. This modified cash basis of accounting is a basis of accounting other than generally accepted accounting principles. Basis of accounting is a reference to *when* financial events are recorded, such as the timing for recognizing revenues, expenses, and their related assets and liabilities. Under the Town's modified cash basis of accounting, revenues and expenses and related assets and liabilities are recorded when they result from cash transactions, except for the recording of depreciation expense on capital assets in the government-wide financial statements for all activities and in the fund financial statements for proprietary fund activities.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements. Therefore, when reviewing the financial information and discussion within this annual report, the reader should keep in mind the limitations resulting from the use of the modified cash basis of accounting.

**Reporting the Town as a Whole**

***The Town's Reporting Entity Presentation***

This annual report includes all activities for which the Town of Panama Council is fiscally responsible. These activities, defined as the Town's reporting entity, are operated within separate legal entities that make up the primary government and another separate legal entity that is included as a component unit.

The primary government includes the following legal entities:

- The Town of Panama
- Panama Public Works Authority

TOWN OF PANAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PAGE 3 (Unaudited)

*The Government-Wide Statement of Net Position and the Statement of Activities*

Our financial analysis of the Town as a whole begins on page 9. The government-wide financial statements are presented on pages 14 and 15. One of the most important questions asked about the Town's finances is, "Is the Town as a whole better off or worse off as a result of the year's activities?" The Statement of Net Position and the Statement of Activities report information about the Town as a whole and about its activities in a way that helps answer this question. These statements include all of the Town's assets and liabilities resulting from the use of the modified cash basis of accounting.

These two statements report the Town's net position and changes in them. Keeping in mind the limitations of the modified cash basis of accounting, you can think of the Town's net position—the difference between assets and liabilities—as one way to measure the Town's financial health or financial position. Over time, increases or decreases in the Town's net position are one indicator of whether its financial health is improving or deteriorating. You will need to consider other nonfinancial factors, however, such as changes in the Town's sales tax base and the condition of the Town's roads, to assess the overall health of the Town.

In the Statement of Net Position and the Statement of Activities, we divide the Town into two kinds of activities:

*Governmental activities.* Most of the Town's basic services are reported here, including the police, fire, general administration, streets, parks, cemetery, and senior citizens. Sales taxes, franchise fees, fines, and state and federal grants finance most of these activities.

*Business-type activities.* The Town charges a fee to customers to help it cover all or most of the cost of certain services it provides. The Town's water, sewer and sanitation systems are reported here.

**Reporting the Town's Most Significant Funds**

*The Fund Financial Statements*

Our analysis of the Town's major funds begins on page 10. The fund financial statements begin on page 13 and provide detailed information about the most significant funds—not the Town as a whole. Some funds are required to be established by State law and by bond covenants. However, the Town Council establishes certain other funds to help it control and manage money for particular purposes or to show that it is meeting legal responsibilities for using certain taxes, grants, and other money. The

TOWN OF PANAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PAGE 4 (Unaudited)

Town's two kinds of funds — *governmental* and *proprietary* — use different accounting approaches.

***Governmental funds*** — Most of the Town's basic services are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. These funds report the acquisition of capital assets and payments for debt principal as expenditures and not as changes to asset and debt balances. The governmental fund statements provide a detailed short-term view of the Town's general government operations and the basic services it provides. Governmental fund information helps you determine (through a review of changes to fund balance) whether there are more or fewer financial resources that can be spent in the near future to finance the Town's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds in a reconciliation at the bottom of the fund financial statements. The Town considers the General Fund and the Capital Improvement Fund to be significant or major governmental funds. All other governmental funds are aggregated in a single column entitled nonmajor funds.

***Proprietary funds*** — When the Town charges customers for the services it provides, these services are generally reported in proprietary funds. Proprietary funds are reported in the same way that all activities are reported in the Statement of Net Position and the Statement of Activities. For example, proprietary fund capital assets are capitalized and depreciated and principal payments on long-term debt are recorded as a reduction to the liability. In fact, the Town's proprietary (enterprise) fund financial statements are essentially the same as the business-type activities we report in the government-wide statements but the fund statements provide more detail and additional information, such as cash flows. The Town only has one enterprise fund — the Public Works Authority Utilities Fund.

The Town currently has no fiduciary funds. *Fiduciary funds* are often used to account for assets that are held in a trustee or fiduciary capacity such as pension plan assets, assets held per trust agreements, and similar arrangements.

**TOWN OF PANAMA  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
PAGE 5 (Unaudited)**

**A FINANCIAL ANALYSIS OF THE TOWN AS A WHOLE**

**Net Position – Modified Cash Basis**

**TOWN OF PANAMA'S NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Current and other assets	255,415	324,182	168,973	134,521	424,388	458,703
Capital Assets	<u>235,262</u>	<u>262,458</u>	<u>1,696,578</u>	<u>1,764,280</u>	<u>1,931,840</u>	<u>2,026,738</u>
Total Assets	<u>490,677</u>	<u>636,661</u>	<u>1,865,551</u>	<u>1,971,072</u>	<u>2,356,228</u>	<u>2,485,441</u>
Long term liabilities	25,869	39,402	1,070,719	1,095,174	1,096,588	1,134,576
Other liabilities	<u>2,209</u>	<u>3,005</u>	<u>1,247</u>	<u>1,247</u>	<u>3,456</u>	<u>4,252</u>
Total Liabilities	<u>28,078</u>	<u>43,558</u>	<u>1,071,966</u>	<u>1,121,330</u>	<u>1,100,044</u>	<u>1,138,828</u>
Net Position:						
Net investment in capital assets, net of related debt	209,393	223,056	667,792	709,529	877,185	932,585
Restricted	182,689	182,605	101,293	93,214	283,982	275,819
Unrestricted	<u>70,517</u>	<u>138,572</u>	<u>24,500</u>	<u>(363)</u>	<u>95,017</u>	<u>138,209</u>
Total Net Position	<u>462,599</u>	<u>544,233</u>	<u>793,585</u>	<u>802,380</u>	<u>1,256,184</u>	<u>1,346,613</u>

The Town's combined net position, resulting from modified cash basis transactions, decreased from approximately \$1,346,613 to \$1,256,184 between fiscal years 2012 and 2013. Looking at the net position and net expenses of governmental and business-type activities separately, governmental activities had a decrease of \$81,634 and business-type activities decreased by \$8,795.

Net position of the Town's governmental activities decreased 14.99 percent to \$462,599. However, \$392,082 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, roads, bridges, and so on). Consequently, unrestricted net position showed \$70,517 at the end of this year. The net position of the Town's business-type activities decreased to \$793,585. However, \$769,085 of those net position either are restricted as to the purposes they can be used for or are invested in capital assets (buildings, electric, water, sewer, and so on). Consequently, unrestricted net position was \$24,500 at the end of this year.

**TOWN OF PANAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**PAGE 6 (Unaudited)**

**TOWN OF PANAMA'S CHANGES IN NET POSITION**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>						
Program Revenues:						
Fees, fines and charges for services	103,440	144,395	365,551	341,800	468,991	486,195
Operating grants and contributions	4,484	11,242	-	-	4,484	11,242
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Sales tax	193,717	188,413	-	-	193,717	188,413
Use tax	10,460	9,276	-	-	10,460	9,276
Franchise tax	40,259	39,103	-	-	40,259	39,103
Cigarette tax	2,476	2,845	-	-	2,476	2,845
Intergovt. Revenue	23,588	22,664	-	-	23,588	22,664
Investment earnings	633	790	426	535	1,059	1,325
Gain (loss) on sale of assets	-	-	-	(2,757)	-	(2,757)
Miscellaneous	6,007	13,569	736	1,702	6,743	15,271
Total revenues	<u>385,064</u>	<u>432,297</u>	<u>366,713</u>	<u>341,280</u>	<u>751,777</u>	<u>773,577</u>
<b>Expenses:</b>						
General government and administration	83,335	87,503	-	-	83,335	87,503
Public safety	295,975	304,697	-	-	295,975	304,697
Transportation	87,388	88,967	-	-	87,388	88,967
Interest on long term debt	-	-	-	-	-	-
Water	-	-	138,238	129,714	138,238	129,714
Sewer	-	-	163,464	183,491	163,464	183,491
Sanitation	-	-	73,806	75,436	73,806	75,436
Total expenses	<u>466,698</u>	<u>481,167</u>	<u>375,507</u>	<u>388,641</u>	<u>842,205</u>	<u>869,808</u>
Increases in net position before transfers	(81,634)	(48,870)	(8,795)	(47,361)	(90,429)	(96,231)
Transfers	-	-	-	-	-	-
Net position - July 1	<u>544,233</u>	<u>593,103</u>	<u>802,380</u>	<u>849,741</u>	<u>1,346,613</u>	<u>1,442,844</u>
Net position - June 30	<u>462,599</u>	<u>544,233</u>	<u>793,585</u>	<u>802,380</u>	<u>1,256,184</u>	<u>1,346,613</u>

**Governmental Activities**

To aid in the understanding of the Statement of Activities, some additional explanation is given. Of particular interest is the format that is significantly different from a typical Statement of Revenues, Expenses, and Changes in Fund Balance. You will notice that expenses are listed in the first column, with revenues from that particular program reported to the right. The result is a Net (Expense)/Revenue. This type of format highlights the relative financial burden of each of the functions on the Town's taxpayers. It also identifies how much each function draws from the general revenues or if it is self-financing through fees and grants or contributions. All other governmental revenues are reported as general. It is important to note that all taxes are classified as general revenue, even if restricted for a specific purpose.

**TOWN OF PANAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**PAGE 7 (Unaudited)**

For the year ended June 30, 2013, total expenses for governmental activities, resulting from modified cash basis transactions, amounted to \$466,698. Of these total expenses, taxpayers and other general revenues funded \$277,140, while those directly benefiting from the program funded \$103,440 from charges for services and \$4,484 was funded by grants.

**Business-Type Activities**

In reviewing the business-type activities' net (expense)/revenue resulting from modified cash basis transactions. While the sewer service activities reported net expenses of \$(17,747), the water reported net expenses of \$3,473 and sanitation was close to breakeven with a net expense of \$4,317. The sanitation service is operated under private contract and the narrow net revenue is typical. In arriving at the business type activity expenses the administration expenses of \$50,568 are allocated based on each activities expenses to the total.

**A FINANCIAL ANALYSIS OF THE TOWN'S FUNDS**

Certain funds experienced noteworthy changes from the prior year and are highlighted as follows:

- On the modified cash basis of accounting, the General Fund reported revenues of \$234,593 and expenditures of \$302,648 resulting in an increase in fund balance of \$(68,055).
- General fund revenues decreased under the prior year by \$52,971. The general fund expenditures decreased over the prior year by \$23,924.

**General Fund Budgetary Highlights**

Over the course of the year, the Town Council revised the General Fund budget at various times. The final adjusted budget, however, was consistent with the prior year budget.

For the year ended June 30, 2013, General Fund expenditures were \$54,682 under final appropriations, while actual resources available for appropriation were \$10,174 under the final budgeted amount.

**TOWN OF PANAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**PAGE 8 (Unaudited)**  
**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets – Modified Cash Basis**

At June 30, 2013, the Town had \$235,262 invested in capital assets, net of depreciation, including police and fire equipment and buildings. This represents a net decrease of \$27,196, or 10.36 percent, under last year. The Public Works Authority had \$1,696,578 invested in capital assets, net of depreciation including the water and sewer lines. This represents a net decrease of \$67,701 or 3.83 percent, under last year.

This year's more significant capital assets additions include:

General Fund General Government - Heat & Air Unit	\$ 5,500
Street and Alley Fund - GMC 3500 1 Ton	19,000
Fire Fund - Concrete Driveway	11,215

**Capital Assets at Year-end**  
**Net of Accumulated Depreciation**

	Governmental Activities		Business-type Activities		Total	
	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
Land	180	180	20,000	20,000	20,180	20,180
Const. In Progress	0	0	0	0	0	0
Buildings	117,403	122,278	2,832	2,957	120,235	125,235
Furniture & Fixtures	0	220	8	112	8	332
Machinery & Equipment	48,558	58,540	14,904	20,599	63,462	79,139
Vehicles	25,912	46,363	0	0	25,912	46,363
Capital Improvements	43,209	34,877	1,658,834	1,720,611	1,702,043	1,755,488
Total	<u>235,262</u>	<u>262,458</u>	<u>1,696,578</u>	<u>1,764,279</u>	<u>1,931,840</u>	<u>2,026,737</u>

**TOWN OF PANAMA**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**PAGE 9 (Unaudited)**

**Long-Term Debt—Modified Cash Basis**

At June 30, 2013, the Town had \$1,096,588 in long term debt arising from modified cash basis transactions compared to \$1,134,575 at June 30, 2013. At June 30, 2013, most all of the debt is related to business-type activities. (See table below). This represents a decrease of 3.35 percent.

**Primary Government Long-Term Debt -- Modified Cash Basis**

	<u>2012</u>	<u>2013</u>
Governmental debt:		
Lease purchase Old National Bank	23,599	4,838
Lease purchase Kansas State Bank	8,329	5,169
Lease purchase Arvest Equipment Finance	-	15,862
Lease purchase Arvest Equipment Finance	7,474	-
Total governmental debt	<u>\$ 39,402</u>	<u>\$ 25,869</u>
Business-type debt:		
Refundable utility deposits	\$ 40,423	\$ 41,933
Note payable RUS	945,747	923,043
Note payable RUS	109,004	105,743
Total business-type debt	<u>\$ 1,095,174</u>	<u>\$ 1,070,719</u>
Total all debt	<u>\$ 1,134,576</u>	<u>\$ 1,096,588</u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES**

For the upcoming fiscal year ending June 30, 2013, the Town's budget is fairly consistent with this year.

**CONTACTING THE TOWN'S FINANCIAL MANAGEMENT**

This report is designed to provide our citizens, taxpayers, customers, and creditors with a general overview of the Town's finances and to demonstrate the Town's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Town Clerk's office at 100 North Kentucky, Panama, Oklahoma or telephone at (918) 963-4116.



**TOWN OF PANAMA, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**

June 30, 2013

	<b>Primary Government</b>		
	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash, and cash equivalents	\$221,967	\$26,277	\$248,244
Investments	26,302		26,302
Due from other funds	7,146	900	8,046
Total current assets	<u>255,415</u>	<u>27,177</u>	<u>282,592</u>
Noncurrent Assets:			
Restricted Cash, and cash equivalents		120,841	120,841
Restricted Investments		20,955	20,955
Capital assets (Note 2.C.):			
Land	180	20,000	20,180
Other capital assets, net of accumulated depreciation	235,082	1,676,578	1,911,660
Total noncurrent assets	<u>235,262</u>	<u>1,838,374</u>	<u>2,073,636</u>
Total assets	<u>490,677</u>	<u>1,865,551</u>	<u>2,356,228</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Payroll taxes payable			0
Due to other funds	2,209	1,247	3,456
Due within one year	10,946	27,161	38,107
Total current liabilities	<u>13,155</u>	<u>28,408</u>	<u>41,563</u>
Noncurrent Liabilities:			
Refundable deposits		41,933	41,933
Long term liabilities (Note 2.D.)			
Notes payable	14,923	1,001,625	1,016,548
Total noncurrent liabilities	<u>14,923</u>	<u>1,043,558</u>	<u>1,058,481</u>
Total Liabilities	<u>28,078</u>	<u>1,071,966</u>	<u>1,100,044</u>
<b>NET ASSETS</b>			
Net Investment in Capital Assets	209,393	667,792	877,185
Restricted for:			
Street and Alley	19,551		19,551
Fire Department	163,138		163,138
Debt service		101,293	101,293
Unrestricted	70,517	24,500	95,017
Total Net Assets	<u>\$462,599</u>	<u>\$793,585</u>	<u>\$1,256,184</u>

See accompanying notes to the basic financial statements.

TOWN OF PANAMA, OKLAHOMA

STATEMENT OF ACTIVITIES-MODIFIED CASH BASIS  
FOR THE FISCAL YEAR ENDED JUNE 30, 2013

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating	Capital	Primary Government		Total
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government:							
Governmental Activities							
Clerk	\$5,666	\$25			(5,641)		(5,641)
General Government	\$77,669				(77,669)		(77,669)
Total general government	83,335	25	0	0	(83,310)	0	(83,310)
Public Safety:							
Police	220,345	102,415			(117,930)		(117,930)
Fire	75,630	1,000	4,484		(70,146)		(70,146)
Total Public safety	295,975	103,415	4,484	0	(188,076)	0	(188,076)
Transportation:							
Streets	87,388				(87,388)		(87,388)
Total transportation	87,388	0	0	0	(87,388)	0	(87,388)
Total governmental activities	466,698	103,440	4,484	0	(358,774)	0	(358,774)
Business-type activities:							
Water	138,238	141,711				3,473	3,473
Sewer	163,464	145,717				(17,747)	(17,747)
Sanitation	73,806	78,123				4,317	4,317
Total business-type activities	375,507	365,551	0	0	0	(9,957)	(9,957)
Total primary government	\$842,205	\$468,991	\$4,484	\$0	(\$358,774)	(9,957)	(368,731)

	Governmental (\$358,774)	Business-Type (\$9,957)	Total (\$368,731)
<b>General revenues:</b>			
Taxes:			
Sales Tax	193,717		193,717
Use Tax	10,460		10,460
Franchise and public service taxes	40,259		40,259
Cigarette Tax	2,476		2,476
Intergovernmental revenue not restricted to specific programs	23,588		23,588
Interest income	633	426	1,059
Gain (loss) on sale of assets	0	0	0
Miscellaneous	6,007	736	6,743
Transfers internal activity			0
Total general revenues and transfers	<u>277,140</u>	<u>1,162</u>	<u>278,302</u>
Charge in net position	(81,634)	(8,795)	(90,429)
Net position-beginning	544,233	802,380	1,346,613
Net position- ending	<u>\$462,599</u>	<u>\$793,585</u>	<u>\$1,256,184</u>

See accompanying notes to the basic financial statements.

**TOWN OF PANAMA, OKLAHOMA**  
**BALANCE SHEET -- MODIFIED CASH BASIS**  
**GOVERNMENTAL FUNDS**

June 30, 2013

	<u>General Fund</u>	<u>Street and Alley</u>	<u>Fire Department</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>				
Cash, and cash equivalents	\$63,371	\$21,540	\$137,056	\$221,967
Investments			26,302	26,302
Due from other funds	7,146			7,146
Total assets	<u>70,517</u>	<u>21,540</u>	<u>163,358</u>	<u>\$255,415</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Payroll liabilities				0
Due to other funds		1,989	220	2,209
Total Liabilities	<u>0</u>	<u>1,989</u>	<u>220</u>	<u>2,209</u>
Fund Balances:				
Restricted for:				
Street and Alley		19,551		19,551
Fire Department			163,138	163,138
Assigned	42,767			42,767
Unassigned	27,750			27,750
Total Fund Balances	<u>70,517</u>	<u>19,551</u>	<u>163,138</u>	<u>253,206</u>
Total Liabilities and Fund Balances	<u>\$70,517</u>	<u>\$21,540</u>	<u>\$163,358</u>	
<b>Reconciliation to Statement of Net Position:</b>				
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities of \$ 940,742, net of accumulated depreciation of \$ 705,480 are not financial resources and, therefore, are not reported in funds				235,262
Some liabilities, including capital debt obligations payable, are not due and payable in the current period and therefore are not reported in the funds				<u>(25,869)</u>
Net position of governmental activities				<u>\$462,599</u>

See accompanying notes to the financial statements.

**TOWN OF PANAMA, OKLAHOMA**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
MODIFIED CASH BASIS  
GOVERNMENTAL FUNDS**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	General Fund	Street and Alley	Fire Department	Total Governmental Funds
<b>Revenues:</b>				
Taxes	117,767	64,572	64,573	246,912
Intergovernmental	10,923	12,665	4,484	28,072
Charges for services			1,000	1,000
Fines and forfeitures	102,415			102,415
Licenses and permits	25			25
Interest income	189	63	381	633
Miscellaneous	3,274	2,733		6,007
Total Revenues	<u>234,593</u>	<u>80,033</u>	<u>70,438</u>	<u>385,064</u>
<b>Expenditures:</b>				
Current:				
General Government:				
Clerk	5,666			5,666
General Government	71,972			71,972
Public Safety:				
Police	196,259			196,259
Fire			47,015	47,015
Street and Public Works:				
Streets		78,615		78,615
Capital Outlay	5,500	19,970	12,165	37,635
Debt Service	23,251	11,622		34,873
Total Expenditures	<u>302,648</u>	<u>110,207</u>	<u>59,180</u>	<u>472,035</u>
Excess (deficiency) of revenues over expenditures	(68,055)	(30,174)	11,258	(86,971)
<b>Other Financing Sources (Uses):</b>				
Capital lease proceeds		19,000		19,000
Transfers in				0
Transfers out				0
Total Other Financing Sources (Uses)	<u>0</u>	<u>19,000</u>	<u>0</u>	<u>19,000</u>
Net change in fund balances	(68,055)	(11,174)	11,258	(67,971)
Fund balances - beginning	<u>138,572</u>	<u>30,725</u>	<u>151,880</u>	<u>321,177</u>
Fund balances - ending	<u><u>70,517</u></u>	<u><u>19,551</u></u>	<u><u>163,138</u></u>	<u><u>253,206</u></u>
Reconciliation to the Statement of Activities:				
Net change in fund balances -total governmental funds				(\$67,971)
Amounts reported for governmental activities in the Statement of Activities are different because:				
Governmental funds report capital outlays as expenditures while governmental activities report depreciation expense to allocate those expenditures over the life of the assets:				
Capital asset purchases capitalized				37,635
Depreciation expense				(64,831)
Debt service payments are not considered expenditures in the governmental activities report				32,533
Lease proceeds are not considered revenues in the governmental activities report				(19,000)
The net effect of various transactions involving capital assets (i.e. sales, trade ins, and contributions)				0
				<u>(13,663)</u>
				<u><u>(\$81,634)</u></u>

See accompanying notes to the basic financial statements.

**TOWN OF PANAMA, OKLAHOMA**  
**STATEMENT OF NET POSITION - MODIFIED CASH BASIS**  
**PROPRIETARY FUND**

**June 30, 2013**

	<b>Panama Public Works Enterprise Fund</b>
<b>ASSETS</b>	
Current Assets:	
Cash, and cash equivalents	\$26,277
Due from other funds	900
Total current assets	<u>27,177</u>
Noncurrent Assets:	
Restricted cash and cash equivalents	120,841
Restricted investments	20,955
Land	20,000
Other capital assets, net of accumulated depreciation	1,676,578
Total noncurrent assets	<u>1,838,374</u>
Total Assets	<u>1,865,551</u>
<b>LIABILITIES</b>	
Current Liabilities:	
Due to other funds	1,247
Notes payable - current portion	27,161
Total current liabilities	<u>28,408</u>
Noncurrent Liabilities:	
Refundable deposits	41,933
Notes payable - long-term portion	1,001,625
Total noncurrent liabilities	<u>1,043,558</u>
Total Liabilities	<u>1,071,966</u>
<b>NET POSITION</b>	
Net investment in capital assets	667,792
Restricted for debt service	101,293
Unrestricted	24,500
Total net position	<u>793,585</u>

See accompanying notes to combined financial statements.

**TOWN OF PANAMA, OKLAHOMA**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET POSITION**  
**MODIFIED CASH BASIS PROPRIETARY FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>Panama Public Works Enterprise Fund</b>
<b>Operating Revenues:</b>	
Charges for services:	
Water	\$138,049
Sewer	141,952
Sanitation	76,104
Water & Sewer Taps	0
Penalties	9,446
Miscellaneous	736
Total Operating Revenues	<u>366,287</u>
<b>Operating Expenses:</b>	
Administration operations	112,528
Water operations	114,678
Sewer operations	33,237
Depreciation	68,130
Total Operating Expenses	<u>328,573</u>
Net Operating Income (Loss)	37,714
<b>Non-Operating Revenue (Expense):</b>	
Investment income	426
Interest expense and fiscal agent fees	(46,935)
Gain (loss) on sale of assets	0
Total Non-Operating Revenue (Expense)	<u>(46,509)</u>
Net Income (Loss) Before Operating Transfers	(8,795)
Capital Contributions	
Transfers In	0
Transfers Out	<u>0</u>
Changes in net position	(8,795)
Total Net Position-Beginning	802,380
Total Net Position-Ending	<u>\$793,585</u>

See accompanying notes to combined financial statements.

**TOWN OF PANAMA, OKLAHOMA**  
**STATEMENT OF CASH FLOWS-MODIFIED CASH BASIS**  
**PROPRIETARY FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>Panama Public Works Enterprise Fund</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Receipts from customers	\$366,287
Payments to suppliers	(207,613)
Payments to employees	(52,830)
Receipts of customer utility deposits	11,868
Refunds of customer utility deposits	(10,358)
Net Cash Provided by Operating Activities	<u>107,354</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:</b>	
Increase in due from other funds	0
Transfers from other funds	<u>0</u>
Net Cash Provided (Used) by Operating Activities	<u>0</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Sale of capital assets	0
Purchases of capital assets	(429)
Principal paid on capital debit	(25,964)
Interest and fiscal agent fees paid on capital debit	(46,935)
Net Cash Used in Capital and Related Financing Activities	<u>(73,328)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Interest and dividends	<u>426</u>
Net Cash Provided by Investing Activities	<u>426</u>
Net Increase in Cash and Cash Equivalents	34,452
Balance- beginning of the year	<u>133,621</u>
Balance- end of the year	<u><u>\$168,073</u></u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>	
Operating income (loss)	\$37,714
Adjustments to reconcile operating income to net cash provided (used) by operating activities:	
Depreciation expense	68,130
Change in assets and liabilities:	
Refundable deposits	1,510
Net cash provided by operating activities	<u><u>\$107,354</u></u>

See accompanying notes to combined financial statements.

**TOWN OF PANAMA, OKLAHOMA**

**STATEMENT OF NET POSITION - MODIFIED CASH BASIS  
FIDUCIARY FUND  
JUNE 30, 2013**

	<b>Agency Funds</b>
<b>ASSETS</b>	
Cash, and cash equivalents	\$4,590
Total assets	<u>\$4,590</u>
<b>LIABILITIES</b>	
Due to other funds	\$4,590
Total liabilities	<u>\$4,590</u>



**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. This modified basis of accounting differs from accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Town are described below.

**1.A. FINANCIAL REPORTING ENTITY**

The Town's financial reporting entity is composed of the following:

Primary Government:	Town of Panama
Blended Component Unit:	Panama Public Works Authority

In determining the financial reporting entity, the Town complies with the provisions of GASB Statement No. 14, *The Financial Reporting Entity*.

**BLENDED COMPONENT UNIT**

A blended component unit is a separate legal entity that meets the component unit criteria. In addition, the blended component unit's governing body is the same or substantially the same as the Town Council, or the component unit provides services entirely to the Town. The component unit's funds are blended into those of the Town by appropriate fund type to constitute the primary government presentation. The blended component unit is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>	<u>Fund Included In</u>
Panama Public Works Authority	<i>Created February 8, 1972 to finance, develop, and operate the water, wastewater, and sanitation activities of the Town. Current Town Council serves as entire governing Body (Trustees). Debt issued by Authority Requires two-thirds approval of the Town Council</i>	<i>PWA Enterprise Fund</i>

The component unit does not issue separately audited component unit financial statements.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**1.B. BASIS OF PRESENTATION**

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties of goods or services.

**FUND FINANCIAL STATEMENTS**

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described below:

**Governmental Funds**

**General Fund**

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of the specific revenue sources that are either legally restricted to expenditures for specified purposes or designated to finance particular functions or activities of the Town. The reporting entity includes the following special revenue funds, all of which are reported as nonmajor funds:

<i>Fund</i>	<i>Brief Description</i>
Street and Alley Fund	Accounts for gasoline excise and commercial vehicle taxes and 33% of the 3 cent sales tax collected legally restricted for street and alley improvements.
Fire Fund	Accounts for a special 1 cent sales tax and fire runs for benefit of the fire department.

**Capital Project Funds**

Capital project funds area used to account for resources restricted for the acquisition or construction of specific capital projects or items. The reporting entity presently includes no capital project fund.

**Proprietary Funds**

**Enterprise Fund**

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund:

<i>Fund</i>	<i>Brief Description</i>
Panama Public Works Authority	Accounts for the activities of the public trust in providing water and wastewater services to the public.

**1.C. MEASUREMENT FOCUS ON BASIS OF ACCOUNTING**

Measurement focus is a term used to describe “how” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources

MEASUREMENT FOCUS

measurement focus, within the limitations of the modified cash basis of accounting, as defined in item b below.

In the funds financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund equity is classified as net position.

BASIS OF ACCOUNTING

In the government-wide Statement of Net Position and Statement of Activities and the fund financial statements, governmental, business-like, and component unit activities are presented using a modified cash basis of accounting. This basis recognizes assets, liabilities, net position/fund equity, revenues, and expenditures/expenses when they result from cash transactions with a provision for depreciation in the government-wide statements, proprietary fund statements, and the similar discretely presented component unit statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

As a result of the use of this modified cash basis of accounting, certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected) and certain liabilities and their related expenses (such as accounts payable and expenses for goods or services received but not yet paid, and accrued expenses and liabilities) *are not recorded* in these financial statements.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

If the Town utilized the basis of accounting recognized as generally accepted, the fund financial statements for governmental funds would use the modified accrual basis of accounting, while the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financials would be presented on the accrual basis of accounting.

**1.D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY**

**CASH AND CASH EQUIVALENTS**

For the purpose of financial reporting “cash and cash equivalents” includes all demand and savings accounts and certificates of deposit or short-term investments. Trust account investments in open-ended mutual funds shares are also considered cash equivalents.

**INVESTMENTS**

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

**CAPITAL ASSETS**

The Town’s modified cash basis of accounting reports capital assets resulting from cash transactions and reports depreciation where appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

**Government-Wide Statements**

In the government-wide financial statements, capital assets arising from cash transactions are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable. Estimated historical cost was used to value the majority of the assets acquired prior to July 1, 2003. Prior to July 1, 2003, governmental funds’ infrastructure assets were not capitalized. Infrastructure assets acquired since July 1, 2003 are recorded at cost.

Depreciation of all exhaustible capital assets arising from cash transactions is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets’ estimated useful lives using the straight-line method of depreciation. A capitalization

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

**Fund Financial Statements**

In the fund financial statements, capital assets arising from cash transactions acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

**LONG-TERM DEBT**

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

**EQUITY CLASSIFICATION**

**Government-Wide Statements**

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowing that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.
- b. Restricted - Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws and regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

- c. Unrestricted – Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment of capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net position prior to the use of unrestricted net position when an expense is incurred for purposes for which both restricted and unrestricted net position are available.

**Fund Financial Statements**

Governmental fund equity is classified as fund balance. Proprietary fund equity is classified the same as in the government-wide statements.

**1. E. REVENUES, EXPENDITURES, AND EXPENSES**

**PROGRAM REVENUES**

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity:

General Government	Licenses and permits.
Public Safety	Fine revenue and Fire run revenue; operating and capital grants include Cops School Grant and KEDDO
Streets and Public Works	Commercial vehicle and gasoline excise tax shared by the State

All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

**OPERATING REVENUE AND EXPENSES**

Operating revenues and expenses for proprietary funds result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

**1.F. INTERNAL AND INTERFUND BALANCES AND ACTIVITIES**

In the process of aggregating the financial information for the government-wide Statement of Net Position and Statement of Activities, some amounts reported as interfund activity and balances in the fund financial statements have been eliminated.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**FUND FINANCIAL STATEMENTS**

Interfund activity, if any, within and among the governmental and proprietary fund categories is reported as follows in the fund financial statements:

1. Interfund loans—Amounts provided with a requirement for repayment are reported as interfund receivables and payables.
2. Interfund services—Sales or purchases of goods and services between funds are reported as revenues and expenditures/expenses.
3. Interfund reimbursements—Repayments from funds responsible for certain expenditures/expenses to the funds that initially paid for them are not reported as reimbursements but as adjustments to expenditures/expenses in the respective funds.
4. Interfund transfers—Flow of assets from one fund to another where repayment is not expected are reported as transfers in and out.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

Interfund activity and balances, if any, are eliminated or reclassified in the government-wide financial statements as follows:

1. Internal balances—Amounts reported in the fund financial statements as interfund receivables and payables are eliminated in the governmental and business-type activities columns of the Statement of Net Position, except for the net residual amounts due between governmental and business-type activities, which are reported as Internal Balances.
2. Internal activities—Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers--Internal Activities. The effects of interfund services between funds, if any, are not eliminated in the Statement of Activities.
3. Primary government and component unit activity and balances—Resource flows between the primary government (the Town and Public Works Improvement Authority) are reported as if they were external transactions and are classified separately from internal balances and activities within the primary government.



**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**1.G. FUND EQUITY**

The following fund balance classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

Nonspendable fund balance – amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

Restricted fund balance – amounts constrained to specific purposes by their providers (Such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

Committed fund balance – amounts constrained to specific purposed by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

Assigned fund balance – amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

Unassigned fund balance – amounts that are available for any purpose; positive amounts are reported only in the general fund.

Town Council establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by City Council through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt services, or for other purposes).

**1.H. USE OF STATEMENTS**

The preparation of financial statements in conformity with the other comprehensive basis of accounting (OCBOA) used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**NOTE 2. DETAIL NOTES—TRANSACTIONS CLASSES/ACCOUNTS**

The following notes present detail information to support the amounts reported in the basic financial statements for its various assets, liabilities, equity, revenues, and expenditures/expenses.

**2.A. CASH AND INVESTMENTS**

**CUSTODIAL CREDIT RISK-DEPOSITS**

The table presented below is designed to disclose the level of custodial credit risk assumed by the Town based upon how its deposits were insured or secured with collateral at June 30, 2013. The comparison relates to the primary government only. The categories of custodial credit risk are defined as follows:

- Category 1-- Insured by Federal Deposit Insurance Corporation (FDIC) or collateralized with securities held by the Town (or public trust) or by its agent in its name.
- Category 2-- Uninsured but collateralized with securities held by the pledging financial institution's trust department or agent in the Town's name.
- Category 3-- Uninsured and uncollateralized; or collateralized with securities held by the pledging financial institution or by its trust department or agent but not in the Town's name; or properly collateralized with no written and approved collateral agreement.

*Custody Credit Risk Category*

<u>Type of Deposits</u>	<u>Balance</u>	<u>Total Bank</u> <u>1</u>	<u>2</u>	<u>3</u>	
Insured deposits	419,144	419,144	-	-	
Uninsured deposits					
Collateralized	15,908	-	15,908	-	
Uncollateralized	-	-	-	-	
					Total Carrying Value
Total Deposits	435,052	419,144	15,908	-	420,491
Petty Cash					441
					<u>420,932</u>

**Reconciliation to Government-Wide Statements of Net Position:**

Cash and cash equivalents	274,547
Restricted cash and cash equivalents	141,795
Agency fund cash, including time deposit (not included in government wide statement)	4,590
	<u>420,932</u>

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**2.B. RESTRICTED ASSETS**

The amounts reported as restricted assets are composed of amounts held by the Public Works Authority for utility deposits (refunded upon termination of service or applied to final bill) of \$40,502; and the amounts held to comply with the sewer project debt service requirements are \$101,293.

**2.C. CAPITAL ASSETS**

Capital asset activity, resulting from modified cash basis transactions, for the fiscal year.

	<b>Balance 07/01/12</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 06/30/13</b>
<b>Governmental activities:</b>				
Capital assets not being depreciated:				
Land	180	0	0	180
Construction in Process	0	0	0	0
Total capital assets not being depreciated	180	0	0	180
Other capital assets:				
Buildings	195,035		0	195,035
Furniture and fixtures	1,540	0	0	1,540
Machinery and equipment	268,188	7,420	0	275,608
Vehicles	384,120	19,000	0	403,120
Capital improvements	54,043	11,215	0	65,258
Total other capital assets at historical cost	902,926	37,635	0	940,561
Less accumulated depreciation for:				
Buildings	72,757	4,875	0	77,632
Furniture and fixtures	1,320	220	0	1,540
Machinery and equipment	209,648	17,402	0	227,050
Vehicles	337,757	39,451	0	377,208
Capital improvements	19,166	2,883	0	22,049
Total accumulated depreciation	640,648	64,831	0	705,479
Other capital assets, net	262,278	(27,196)	0	235,082
Governmental activities capital assets, net	262,458	(27,196)	0	235,262
<b>Business-Type Activities:</b>				
Capital assets not being depreciated:				
Land	20,000	0	0	20,000
Total capital assets not being depreciated	20,000	0	0	20,000
Other capital assets:				
Buildings	5,000	0	0	5,000
Furniture and fixtures	726	0	0	726
Machinery and equipment	114,415	429	0	114,844
Vehicles	13,500	0	0	13,500
Capital improvements	2,442,002	0	0	2,442,002
Total other capital assets at historical cost	2,575,643	429	0	2,576,072
Less accumulated depreciation for:				
Buildings	2,043	125	0	2,168
Furniture and fixtures	614	104	0	718
Machinery and equipment	93,816	6,124	0	99,940
Vehicles	13,500	0	0	13,500
Capital improvements	721,391	61,777	0	783,168
Total accumulated depreciation	831,364	68,130	0	899,494
Other capital assets, net	1,744,279	(67,701)	0	1,676,578
Business-type activities capital assets, net	1,764,279	(67,701)	0	1,696,578

Depreciation expense was charged to functions as follows in the Statement of Activities:

<b>Primary Government Activities:</b>	
General Government	5,697
Police	22,756
Street & Alley	7,763
Fire	28,615
Total depreciation expense for governmental activities	64,831
<b>Business-Type Activities:</b>	
Administration	1,040
Water	3,956
Sewer	63,134
Total depreciation expense for business-type activities	68,130

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**2.D. LONG-TERM DEBT**

The reporting entity's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities.

GOVERNMENTAL ACTIVITIES

**Lease Purchase Obligations:**

As of June 30, 2013, the long-term debt, arising from cash transactions, payable from governmental fund resources consisted of the following:

4.99% interest with 17 quarterly payments of principal and interest of \$4,898, secured by 4 Dodge Charger Police Cars. Scheduled debt service payments in the General Fund Police.	4,838
6.985% interest with 12 quarterly payments of principal and interest of \$914, secured by 2012 Kawasaki Mule. Scheduled debt service payments in the General Fund Police.	5,169
5% interest with 60 monthly payments of principal and interest of \$359, secured by 2006 GMC3500. Scheduled debt service payments in the Street Fund.	<u>15,862</u>
Total Lease Purchases Outstanding	\$ <u>25,869</u>
Current portion	\$ 10,946
Non-current portion	<u>14,923</u>
Total Leases Payable	\$ <u>25,869</u>

BUSINESS-TYPE ACTIVITIES

**Notes Payable:**

Note due to Rural Utilities Service Department of Agriculture in the amount of \$1,200,000. The note was for the purpose of providing a portion of the cost of acquiring and constructing of Panama Public Works Authority sewer improvements. The original principal amount of \$1,200,000 has a fixed interest rate of 4.5% with 480 monthly payments of principal and interest of \$5,400 due October 2038.	\$ 923,043
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**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

The note is collateralized by a mortgage on the Panama Public Works Authority's sewer system and a first lien on and pledge of the revenues produced.

Note due to Rural Utilities Service Department of Agriculture in the amount of \$150,000. The note was for the purpose of providing a portion of the cost of acquiring and constructing of Panama Public Works Authority sewer improvements. The original principal amount of \$150,000 has a fixed interest rate of 4.5% with 480 monthly payments of principal and interest of \$675 due October 2038.

105,743

The note is collateralized by a mortgage on the Panama Public Works Authority's sewer system and a first lien on and pledge of the revenues produced.

Total Notes Payable Outstanding \$1,028,786

Current portion	\$ 27,161
Non-current portion	<u>1,001,625</u>
Total Notes Payable	<u>\$ 1,028,786</u>

**Refundable Deposits:**

Refundable deposits reported as a liability within the Statement of Net Position are composed of the following:

Utility Deposits –Refundable \$ 41,933

**CHANGES IN LONG-TERM DEBT**

The following is a summary of changes in long-term debt for the year ended June 30, 2013:

Type of Debt	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amount Due Within One Year
Government Activities:					
Capital Debt Obligations	39,402	19,000	32,533	25,869	10,946
Business-Type Activities:					
Refundable Deposits	40,423	11,868	10,358	41,933	
Leases Payable	0			0	
Notes Payable	<u>1,054,750</u>		<u>25,964</u>	<u>1,028,786</u>	<u>27,161</u>
Total Business-Type Activities:	<u>1,134,575</u>	<u>30,868</u>	<u>68,855</u>	<u>1,096,588</u>	<u>38,107</u>

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**DEBT SERVICE REQUIREMENTS TO MATURITY**

The annual debt service requirements to maturity, including principal and interest, for long-term debt, except for refundable deposits, as of June 30, 2013, are as follows:

Year Ended June 30,	Capital Debt Obligations		Notes Payable	
	Principal	Interest	Principal	Interest
2014	10,946.08	1,429.85	25,967.56	46,932.44
2015	6,426.45	392.10	27,160.53	45,739.47
2016	3,967.91	93.15	28,408.26	44,491.74
2017	4,170.90		29,713.34	43,186.66
2018	357.30		31,078.35	41,821.65
2019-2023			178,165.67	186,334.33
2024-2028			223,026.98	141,473.02
2029-2033			279,184.30	85,315.70
2034-2036			232,045.85	20,460.16
Total	<u>25,868.64</u>	<u>1,915.10</u>	<u>1,054,750.84</u>	<u>655,755.17</u>

**DEBT SERVICE COVERAGE AND RESERVE REQUIREMENT**

The Public Works Authority's Rural Development Promissory Notes are collateralized by the revenue of the Panama Public Works Authority Sewer System. The agreement contains provisions which require the Town to maintain pledged revenue, of at least 100% of the annual debt service and a debt reserve fund addition of 10% of the monthly debt payment until a reserve balance of 10% of the note balance is obtained. As of June 30, 2013 the Authority's debt service coverage percentage is 134% which meets the promissory note requirement and the reserve balance is \$75,196, which is \$1,907 over the required debt reserve fund balance.

**2.E. INTERFUND TRANSFERS AND BALANCES**

**INTERFUND BALANCES**

At June 30, 2013, the Street and Alley Special Revenue Fund owed the General Fund \$1,089 and the Public Works Authority \$900, the Fire Fund owed the General Fund \$220, the Trust and Agency Fund owed the General Fund \$4,590, and the Public Works Authority owed the General Fund \$1,247.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

INTERFUND TRANSFERS

There were no transfers between funds of the primary government for the year ended June 30, 2013.

**NOTE 3. OTHER NOTES**

**3. A. GRANTS AND CONTRACTS**

Rural Fire Defense Grant - The Town received a grant of \$4,484 from the Oklahoma Department of Agriculture Forestry Services for fire calls.

**3.B. COUNTY FIRE DEPARTMENT SALES TAX REVENUE**

The LeFlore County Board of Commissioners passed a resolution assessing a .25% sales tax for the benefit of the LeFlore County Fire Departments. The County began collecting the funds July 1, 2012 and remitting monthly into the funds designated by each County Fire Department and maintained under custody and control of the County Treasurer. In accordance with the resolution the funds can generally be used for construction and improvements, various approved equipment, fire training safety and education, and general maintenance and operation of the department. For the period beginning July 1, 2012 thru June 30, 2013 the Town of Panama Fire Department had a beginning balance of \$28,904.27, the department has been appropriated \$28,446.49 for its benefit and has expended \$14,470.55 leaving a balance of \$42,880.21 for future use. Funds requested must be used in accordance with County purchasing policies and procedures as outlined in the resolution.

**3.C. EMPLOYEE PENSION AND OTHER BENEFIT PLANS**

FIREFIGHTER'S PENSION AND RETIREMENT SYSTEMS

Volunteer firemen of the Town of Panama, Oklahoma, participate in the Oklahoma Firefighters Pension and Retirement System. The plan covers all volunteer fireman hired before age 45 if they are working in a participating municipality. These firemen are not paid a salary.

A. Eligibility Factors, Contribution Methods, and Benefit Provisions

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

Oklahoma Firefighter's  
Pension and  
Retirement System

Obtaining separately issued financial statements	Firefighters Pension & Retirement 4545 N. Lincoln Blvd. Oklahoma City, OK 73105-3414
Eligibility to participate	All full-time or voluntary firefighters of a participating municipality and hired before age 45.
Authority establishing contribution obligations and benefits	State Statute
Employee's contribution rate	N/A
Town's contribution rate (\$60 per volunteer)	\$60
State obligation	State appropriation to fund the unfunded actuarial accrued liability
Period required to vest	20 years of service
Eligibility and benefits for distribution (full-time)	20 years credited service, 2 ½% of Final average salary multiplied by the years of credited service with a maximum of 30 years considered; if vested; at or after age 50, or after 10 but before 20 years of credited service, with reduced benefits.
Eligibility and benefits for distribution (volunteer)	20 years credited service equal to \$5.46 per month per year of service, with a maximum of 30 years considered.
Deferred retirement option	Yes, 20 years credited with continued service for a maximum of 30 or more years
Provisions for: Cost of living adjustments (normal retirement)	Yes, if vested by 5/83
Provisions for: Death (duty, non-duty, post retirement)	Yes
Disability (duty, non-duty)	Yes
Cost of living allowances	Yes



**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**Contributions and Trend Information**

Contributions required by State Statute and made for each of the past three fiscal years are:

2011	\$ 1,080
2012	\$ 1,020
2013	\$ 1,980

These contributions represent 100% of the required contribution in each fiscal year.

**Defined Contribution Plan**

The Town provides pension benefits for all of its full-time employees through a defined contribution plan. The employer has adopted a "5304 Savings Incentive Match Plan for Employees of Small Employers (SIMPLE)" Plan for the benefit of eligible employees. The Plan is administered by plan custodian Edward Jones, Inc.

The simple plan is available to employees who are expected to receive at least \$5,000 in compensation for the calendar year. In a simple IRA plan, benefits depend solely on amounts contributed to the plan. The District elects to contribute to each eligible employee a matching contribution equal to the employee's salary reduction contributions up to a limit of 3% of the employee's compensation for the year. The maximum contribution amount an employee may defer is limited to the lesser of 100% of earned income up to the contribution limit for each calendar year of \$11,500.

The Town's total payroll in the fiscal year ending June 2013 was \$263,450. The Town's contributions were calculated using the base salary amount of \$110,400. Both the Town and the covered employees made the required contribution of 3%.

The employer required contributions from the current year wages amounted to \$6,486. The covered employees required contributions amounted to \$6,486 and additional voluntary contributions above the required 3% totaled \$2,558 for total plan employee/employer contributions of \$15,530.

**Related-Party Investments**

As of June 30, 2013, the System held no related-party investments of the Town or of its component units.

**TOWN OF PANAMA, OKLAHOMA**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**3.D. RISK MANAGEMENT**

The Town is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; employee's health and life; and natural disasters.

The Town manages these various risks of loss as follows:

<b>Type of Loss</b>	<b>Method Managed</b>	<b>Risk Retained</b>
Torts, errors and omissions	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
Injuries to employees (workers' compensation)	Purchased insurance with Oklahoma Municipal Assurance Group	(1)
Physical property loss and natural disasters	Purchased insurance with Oklahoma Municipal Assurance Group and	(1)
Health and life	Participates in the Oklahoma State Education Employee Group Insurance Board	None

The Town participates in the Oklahoma Municipal Assurance Group Liability Protection Plan and Life and Health Benefit Plan (risk entity pools).

Management believes such coverage is sufficient to preclude any significant uninsured losses to the Town. Settled claims have not exceeded this insurance coverage in any of the past three fiscal years.

**3.E. COMMITMENTS AND CONTINGENCIES**

**COMMITMENTS**

At June 30, 2013, the Town had an unrecorded commitment for earned but unused vacation and compensatory time leave benefits that would require payment upon employee termination of service.

The compensated absences commitment of \$2,916 at June 30, 2013, can be summarized as follows:

	<u><b>Town</b></u>	<u><b>Street &amp; Alley</b></u>	<u><b>PWA</b></u>	<u><b>Total</b></u>
Vacation	\$ 993	\$ 0	\$ 1,923	\$ 2,916

## **TOWN OF PANAMA, OKLAHOMA**

### **NOTES TO FINANCIAL STATEMENTS**

**JUNE 30, 2013**

#### **CONTINGENCIES**

##### **Grant Program Involvement**

In the normal course of operations, the Town participates in various federal or state grant/loan programs from year to year. The grant/loan programs are often subject to additional audits by agents of the granting or loaning agency, the purpose of which is to ensure compliance with the specific conditions of the grant or loan. Any liability of reimbursement that may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

##### **Litigation**

The financial statements do not include accrual or provision for loss contingencies resulting from litigation. Under applicable Oklahoma statutes, such judgments may become liabilities only of the Debt Service Fund and only in the year in which tax revenue is specifically assessed for payment of the claim, and only to the extent of the taxes so specifically assessed in that year. Such claims are generally paid through special tax assessments over a three-year period.

Accordingly, the Town believes that such claims should be recorded in the year in which taxes are assessed for payment on the claim, only to the extent of such tax revenue that is actually provided. This method is preferable to the conflicting rule for treatment of loss contingencies as set out in Statement of Financial Accounting Standards No.5 (issued by the Financial Accounting Standards Board) wherein contingencies should be recorded in full in the year in which it is probable that a liability has been created if the amount of loss can be reasonably estimated.

#### **3.F. SUBSEQUENT EVENTS**

The Town did not have any subsequent events through the date the financial statements were issued, for events requiring recording or disclosure in the financial statements for the year ending June 30, 2013.

## **SUPPLEMENTARY INFORMATION**

Supplementary information includes financial information and disclosures that provide users of this report with additional data that supplements the government-wide statements, fund financial statements, and notes (referred to as "the basic financial statements").

**TOWN OF PANAMA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MODIFIED CASH BASIS**  
**GENERAL FUND**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Beginning Budgetary Fund Balance	138,572	138,572	138,572	-
Revenues:				
Taxes				
Sales tax	62,749	62,749	64,572	1,823
Use tax	8,000	8,000	10,460	2,460
Franchise tax	38,000	38,000	40,259	2,259
Cigarette tax	2,500	2,500	2,476	(24)
Total Taxes	<u>111,249</u>	<u>111,249</u>	<u>117,767</u>	<u>6,518</u>
Intergovernmental:				
Alcoholic beverage tax	<u>8,000</u>	<u>8,000</u>	<u>10,923</u>	<u>2,923</u>
Total Intergovernmental	<u>8,000</u>	<u>8,000</u>	<u>10,923</u>	<u>2,923</u>
Fines and forfeitures				
Court Fines	<u>175,000</u>	<u>175,000</u>	<u>102,415</u>	<u>(72,585)</u>
Total Fines and Forfeitures	<u>175,000</u>	<u>175,000</u>	<u>102,415</u>	<u>(72,585)</u>
Licenses and Permits	<u>500</u>	<u>500</u>	<u>25</u>	<u>(475)</u>
Interest Income	<u>200</u>	<u>200</u>	<u>189</u>	<u>(11)</u>
Miscellaneous:				
Misc. revenue	<u>4,500</u>	<u>4,500</u>	<u>3,274</u>	<u>(1,226)</u>
Total Miscellaneous	<u>4,500</u>	<u>4,500</u>	<u>3,274</u>	<u>(1,226)</u>
Other Financing Sources:				
Transfers from other funds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Capital lease proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Other Financing Sources	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Amounts available for appropriation	<u>438,021</u>	<u>438,021</u>	<u>373,165</u>	<u>(64,856)</u>

**TOWN OF PANAMA, OKLAHOMA**

**BUDETARY COMPARISON SCHEDULE  
MODIFIED CASH BASIS  
GENERAL FUND**

**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Positive (Negative)</u>
Charges to Appropriations (Outflows):				
Clerk:				
Personal services	5,730	5,730	5,311	419
Other services and charges	350	350	355	(5)
Total Clerk	<u>6,080</u>	<u>6,080</u>	<u>5,666</u>	<u>414</u>
General Government:				
Personal services	63,183	64,283	52,502	11,781
Materials and supplies	5,500	5,500	5,047	453
Other services and charges	13,600	14,700	14,423	277
Capital outlay	2,000	6,000	5,500	500
Total General Government	<u>84,283</u>	<u>90,483</u>	<u>77,472</u>	<u>13,011</u>
Police:				
Personal services	148,866	148,867	125,876	22,991
Materials and supplies	25,000	25,000	22,209	2,791
Other services and charges	56,200	58,200	48,174	10,026
Capital outlay	5,000	5,000	0	5,000
Debt service	23,700	23,700	23,251	449
Total Police	<u>258,766</u>	<u>260,767</u>	<u>219,510</u>	<u>41,257</u>
Other Financing Uses:				
Transfers to other funds	0	0	0	0
Total Other Financing Uses	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
 <b>Total Charges to Appropriations</b>	 349,129	 357,330	 302,648	 54,682
 <b>Ending Budgetary Fund Balance</b>	 <u>88,892</u>	 <u>80,691</u>	 <u>70,517</u>	 <u>(10,174)</u>

**TOWN OF PANAMA, OKLAHOMA**  
**BUDGETARY COMPARISON SCHEDULE**  
**MODIFIED CASH BASIS BUDGETED - SPECIAL REVENUE FUNDS**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2013**

	<b>SPECIAL REVENUE FUNDS</b>			
	<b>STREET</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	
	<b>Original</b>	<b>Final</b>		
Beginning Budgetary Fund Balance	30,725	30,725	30,725	0
Resources (Inflows):				
Taxes	62,749	62,749	64,572	1,823
Intergovernmental	13,500	13,500	12,665	(835)
Investment income	100	100	63	(37)
Miscellaneous	1,000	2,400	2,733	333
Amounts available for appropriation	108,074	109,474	110,758	1,284
Charges to appropriations (Outflows):				
Street:				
Personal services	42,618	46,317	44,932	1,385
Materials and supplies	23,500	22,983	12,488	10,495
Other services and charges	26,800	26,067	21,195	4,872
Capital outlay	8,000	970	19,970	(19,000)
Debt service	0	12,000	11,622	378
Total Street	100,918	108,337	110,207	(1,870)
Other Financing Uses:				
Capital lease proceeds	0	0	19,000	(19,000)
Transfers from other funds	0	0	0	0
Transfers to other funds	0	0	0	0
Total Other Financing Sources	0	0	19,000	(19,000)
Total Charges to Appropriations	100,918	108,337	91,207	17,130
Ending Budgetary Fund Balance	7,156	1,137	19,551	18,414

  

	<b>FIRE</b>			
	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual Amounts</b>	
Beginning Budgetary Fund Balance	151,880	151,880	151,880	0
Resources (Inflows):				
Taxes	87,749	87,749	64,573	(23,176)
Intergovernmental	0	0	4,484	4,484
Charges for services	0	1,000	1,000	0
Investment income	300	300	381	81
Miscellaneous	2,000	4,400	0	(4,400)
Amounts available for appropriation	241,929	245,329	222,318	(23,011)
Fire:				
Personal services	36,625	36,625	24,793	11,832
Materials and supplies	4,000	5,452	4,912	540
Other services and charges	18,800	19,599	17,310	2,289
Capital outlay	63,000	62,700	12,165	50,535
Total Fire	122,425	124,376	59,180	65,196
Other Financing Uses:				
Transfers to other funds	0	0	0	0
Total Other Financing Sources	0	0	0	0
Total Charges to Appropriations	122,425	124,376	59,180	65,196
Ending Budgetary Fund Balance	119,504	120,953	163,138	42,185

## **TOWN OF PANAMA, OKLAHOMA**

### **NOTES TO BUDGETARY COMPARISON SCHEDULE JUNE 30, 2013**

#### Budget Law

The Town prepares its annual operating budget under the provisions of the Municipal Budget Act (the "Budget Act"). In accordance with those provisions, the following process is used to adopt the annual budget:

- a. Prior to June 1, the Mayor submits to the Town Council a proposed operating budget for the fiscal year commencing the following July 1.
  - b. Public hearings are conducted to obtain citizen comments. At least one public hearing must be held no later than 15 days prior to July 1.
  - c. Subsequent to the public hearings but no later than seven days prior to July 1, the budget is adopted by resolution of the Town Council.
  - d. The adopted budget is filed with the Office of State Auditor and Inspector.
- The legal level of control at which expenditures may not legally exceed appropriations is by department within a fund.

All transfers of appropriations between departments and supplemental appropriations require Town Council approval. The Mayor may transfer appropriations between object categories within a department without Town Council approval. Supplemental appropriations must also be filed with the Office of State Auditor and Inspector.

#### Basis of Accounting

The budget is prepared on the same modified cash basis of accounting as applied to the governmental funds in the basic financial statements. Revenues and expenditures are reported when they result from cash transactions.



# KERSHAW CPA & ASSOCIATES, PC

5300 WEST OKMULGEE AVENUE  
MUSKOGEE, OKLAHOMA 74401  
PHONE (918) 684-1040  
FAX (918) 684-1041

WEB: KERSHAWCPA.COM  
E-MAIL: REK@KERSHAWCPA.COM

607 NORTH 1<sup>ST</sup> STREET  
PONCA CITY, OKLAHOMA 74601  
PHONE (580) 762-1040  
FAX (580) 762-1047

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## REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees  
Town of Panama, Oklahoma

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in accordance with Oklahoma Statutes, the modified cash basis financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Panama, Oklahoma, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which were prepared on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles, which collectively comprise the Town of Panama, Oklahoma's basic financial statements, and have issued our report thereon dated April 8, 2014.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Town of Panama's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Panama's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Panama's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected

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FAX (580) 762-1047

and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Panama's financial statements are free of material misstatement, we performed tests of compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

### Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Kershaw CPA & Associates, P.C.*

Kershaw CPA & Associates, PC

April 8, 2014